



Maricopa County

Department of Finance

Tom Manos

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Date: December 14, 2007
To: David Smith, County Manager
From: *TM by SJS 12/13/07*
Tom Manos, Chief Financial Officer
Subject: FY 07-08 Variance Report – November 2007

Attached is the financial activity through November 30, 2007 showing the budget versus actual comparisons for the General Fund. This variance report is presented as an Executive Summary for your review. Beginning this month our report includes a Detention Fund report which provides budget versus actual comparisons for Detention Fund activities. Comments regarding variances for major revenue and expenditure line items are provided below.

- **Property Tax Revenue YTD variance of \$449,769:** Property Tax YTD revenue for FY 07-08 is 8.3 percent higher than FY 06-07 actuals with a current year positive budget variance of less than one percent. Current year property taxes typically have a collection rate of 97 percent by the fiscal year end and prior year is approximately a 2 percent collection rate. The FY 07-08 property tax budget is based on 97 percent of the fiscal year levy plus 2 percent of the prior year levy. Budget forecasts indicate minimal variance at fiscal year end.
- **Vehicle License Tax Revenue YTD variance of (\$259,804):** The FY 07-08 Vehicle License Tax YTD revenue is 1.0 percent lower than the FY 06-07 YTD actuals with a current year negative budget variance of less than .5 percent. The FY 07-08 budget was based on the April 2007 Pessimistic forecast from Elliott D. Pollack & Co. (EDP) and assumed zero percent growth over the previous fiscal year. November revenue was actually 5.3 percent greater than the same month in the prior year. However, this only partially mitigates the 10.2 percent negative growth reported in October. Year-to-date, Vehicle License Tax collections are 0.4 percent under budget. The October forecast from EDP is 2 percent growth in the Most Likely scenario and zero percent in the Pessimistic scenario. Budget forecasts indicate minimal variance at fiscal year end.
- **Sales Tax Revenue YTD variance of (\$8,078,414):** The FY 07-08 Sales Tax revenue is 1.0 percent lower than the FY 06-07 YTD actuals with a current year negative budget variance of 4.0 percent. The FY 07-08 budget was based on the April 2007 Pessimistic forecast from EDP and assumed 3 percent growth over the previous fiscal year. November revenue was actually 0.8 percent less than the same month in the prior year. Year-to-date, State-Shared Sales Tax collections are 4.0 percent under budget. This trend is expected to continue, and may worsen based on recent reports from local economists. The October forecast from EDP was reduced to 1 percent growth in the Most Likely scenario, and a 1 percent decline in the Pessimistic scenario. The latest forecasts are for budget shortfalls of \$12.2 to \$21.8m this fiscal year.

- **Interest Revenue YTD variance of \$2,217,510:** General Fund annualized interest income was budgeted conservatively at \$12m. Interest revenue is estimated to be higher and therefore, the General Fund will continue to show a positive variance.
- **Personnel Services Expenditures YTD variance of \$2,575,383:** The reversal of last month's negative YTD variance in personal services is the result of correcting the calendarization of one-time lump-sum performance award payments. Overall, personal services continue to run very close to budget, 1.3 percent. This is primarily attributable to lower than expected vacancy rates.
- **Services Expenditures YTD variance of \$18,393,841:** The favorable variance of \$18.4m is primarily attributable to Non-Departmental, General Government, and Appropriated Fund Balance. In General Government, the combined favorable variance of \$3m is due to litigation and consulting expenditures, which do not follow a predictable pattern. In Non-Departmental, a \$12m favorable variance is due to a combination of technical and timing issues. In Appropriated Fund Balance, the combined variance of \$7.2m is due to timing of IT project expenditures.
- **Intergovernmental Payments YTD variance of \$2,050,413:** The \$2.1m favorable variance is primarily due to savings in the ALTCS contribution and delayed payments to non-profit agencies. The ALTCS contribution makes up \$1.4m of the favorable variance. The ALTCS contribution is budgeted at \$156,100,800, but the actual contribution is only \$152,779,700, a favorable variance of \$3,321,100. The final ALTCS amount was not disclosed by the State until after County budget adoption. In addition, \$0.5m of the favorable variance is due to the timing of payments to non-profit agencies, and will not result in savings at year end.
- **Debt Service YTD variance of \$2,001,569:** The favorable variance is primarily due to delayed starts for lease purchase payments. Debt Service is under budget because the majority of loan obligations for technology purchases concluded July 31, 2007. The County is currently under an extended warranty period. A favorable debt service variance is expected to continue for the remainder of the fiscal year. Loan payments are expected to commence again January 31, 2008.
- **Capital Outlay Expenditures YTD variance of \$6,310,370:** The favorable variance is primarily due to delayed expenditures for vehicle replacement and major maintenance. Of the favorable variance, \$1.7m is the result of delayed vehicle purchases. It is not expected that these savings will be recurring, as the vehicles scheduled for replacement will eventually be purchased. Most of the remainder of the variance, approximately \$4.5m, is the result of various major maintenance projects currently in the design phase, which requires much less expenditure. There will be a significant increase in expenditures as the year continues. Much of the positive variance in capital outlay for Major Maintenance projects has already been encumbered, but not spent. In Non-Departmental (470), \$3.2m is currently encumbered, and \$1.8m is encumbered in Appropriated Fund Balance (480).

General Fund Departmental Variances:

Enterprise Technology General Fund expenditures are over budget year-to-date by \$81,078. The office is behind on billing (JV's) to other departments for services. Once the billing is complete, the office will be within budget.

Research & Reporting General Fund expenditures are over budget year-to-date by \$22,339. Temporary pay to work on County General Population Survey early on in the fiscal year has caused this unfavorable variance. The department expects to be within budget or under in expenditure by fiscal year end; therefore, no Corrective Action Plan is needed.

Workforce Management and Development General Fund expenditures are over budget year-to-date by \$4,602. The department purchases training from an outside vendor at the beginning of the fiscal year and allocates the charges as departments utilize the service. The department expects to recover these costs and be within budget by fiscal year end; therefore, no Corrective Action Plan is needed.

Correctional Health Services General Fund expenditures are over budget year-to-date by \$156,827. About half of this will be resolved with a pending appropriation adjustment which will be processed once the correction to the original agenda item is approved. The remaining 50 percent is a result of unattained personnel savings. The department has implemented a Corrective Action Plan created last month. It is projected that the department will end the year within budget.

Juvenile Probation General Fund expenditures are over budget year-to-date by \$46,865 due to unattained personnel savings. The department will manage its expenditures to ensure it ends the year within budget.

Office of Contract Counsel General Fund expenditures are over budget year-to-date by \$1,768,159. Negative YTD budget to actual variances associated with contracted Felony Representation cases represent the bulk of the overrun, including variances of (\$357,825) for Capital cases, (\$1,055,812) for Class 2 through 6 Felony cases, and (\$165,466) for Felony DUI cases. The department is developing a Corrective Action Plan.

Public Defender General Fund expenditures are over budget YTD by \$35,019 due to an increase in expenses related to appeals. The variance is small, 0.21 percent, and is expected to be corrected through closely managing expenditures for the remainder of the year.

Sheriff General Fund expenditures are over budget year-to-date by \$893,293 due primarily to overtime. The office's Corrective Action Plan, which included drastically reducing overtime usage, implementing a hiring freeze, and reducing some services, was implemented during the month of November. In one month's time, the office reduced its year-to-date overage by \$474,903. The department will continue utilizing these cost-saving strategies in order to end the year within budget.

To ensure effective management of budgeted funds, OMB continues to work with departmental liaisons to rectify negative variances. In a collaborative effort, the Department of Finance continues to provide accurate and timely financial information to support management decisions.

Detention Fund

- **Sales Tax Revenue YTD variance of (\$1,500,406):** The FY 07-08 budget was based on the April 2007 Pessimistic forecast from EDP and assumed 3 percent growth over the previous fiscal year. November revenue was actually 0.8 percent less than the same month in the prior year. Year-to-date, State-Shared Sales Tax collections are 2.47 percent under budget. This trend is expected to continue, and may worsen based on recent reports from local economists. The October forecast from EDP was reduced to 1 percent growth in the Most Likely scenario, and a 1 percent decline in the Pessimistic scenario. The latest forecasts are for budget shortfalls of \$3.0 to \$5.9m this fiscal year.
- **Supplies YTD variance of (\$1,125,594):** The negative YTD variance of \$1,125,594 is primarily attributable to general supplies and repairs/maintenance expenses exceeding budgeted levels in the Sheriff's Office. Costs are exceeding budgeted levels in the Custody Management Program. It is expected that the Sheriff's Office's corrective action plan for their overall Detention Fund negative variance will mitigate the year-to-date overspending in supplies.

Detention Fund Departmental Variance:

Sheriff Detention Fund expenditures are over budget year-to-date by \$2,143,132 due primarily to overtime. The office's corrective action plan, which included drastically reducing overtime useage, implementing a hiring freeze, and reducing some services, was implemented during the month of November. In one month's time, the office reduced its year-to-date overage by \$630,791. The department will continue utilizing these cost-saving strategies in order to end the year within budget.

Please review and let me know if you have any questions that we can address.

Cc: Sandi Wilson
Assistant County Managers
Shelby Scharbach
DOF Finance Managers
OMB Deputy Directors
OMB Budget Supervisors



General Fund

Executive Summary

As of November 30, 2007

| Revenues | Revised FY Budget | YTD Budget | YTD Actual | Variance |
|--|------------------------------|--------------------|-----------------------------------|--------------------|
| Property Taxes | 425,284,450 | 220,788,211 | 221,237,980 | 449,769 |
| Vehicle License Taxes | 143,247,168 | 63,195,716 | 62,935,912 | (259,804) |
| Sales Taxes | 497,453,141 | 201,043,648 | 192,965,234 | (8,078,414) |
| Intergovernmental | 12,359,263 | 3,695,407 | 4,124,955 | 429,548 |
| Interest | 12,000,000 | 1,775,540 | 3,993,050 | 2,217,510 |
| Miscellaneous | 81,898,066 | 32,777,061 | 32,888,550 | 111,489 |
| Transfers In | 6,838,417 | 2,849,341 | 2,849,327 | (14) |
| Total Revenues | 1,179,080,505 | 526,124,924 | 520,995,006 | (5,129,918) |
| Expenditures | | | | |
| Personnel Services | 489,897,916 | 204,062,508 | 201,487,125 | 2,575,383 |
| Supplies | 38,328,137 | 6,068,326 | 5,741,651 | 326,675 |
| Services | 340,035,430 | 67,056,210 | 48,662,369 | 18,393,841 |
| Intergovernmental Payments | 223,060,697 | 92,978,394 | 90,927,981 | 2,050,413 |
| Debt Service | 13,534,229 | 5,553,134 | 3,551,565 | 2,001,569 |
| Capital Outlay | 22,418,928 | 9,191,749 | 2,881,379 | 6,310,370 |
| Transfers Out | 215,236,003 | 110,213,309 | 110,195,627 | 17,682 |
| Total Expenditures | 1,342,511,340 | 495,123,630 | 463,447,696 | 31,675,934 |
| Excess (Deficiency) of Revenues Over Expenditures | (163,430,835) | 31,001,294 | 57,547,311 | 26,546,017 |
| Beginning Fund Balance | 414,158,357 | 414,158,357 | 445,090,202 ⁽¹⁾ | 30,931,845 |
| Revenues | 1,179,080,505 | 526,124,924 | 520,995,006 | (5,129,918) |
| Expenditures | 1,342,511,340 | 495,123,630 | 463,447,696 | 31,675,934 |
| Fund Balance with Designations | 250,727,522 | 445,159,651 | 502,637,513 | 57,477,862 |
| Fund Balance Designations (2) | 249,543,563 | 249,543,563 | 249,543,563 | - |
| Undesignated Ending Fund Balance | 1,183,959 | 195,616,088 | 253,093,950 | 57,477,862 |

1. Unaudited Beginning Fund Balance

2. Fund Balance Designations:

Budget Stabilization:

Cash Flow/Property Tax 54,000,000

Reserve 157,809,663

Benefits Self-Funding Reserve 34,300,000

Sheriff Court Remodel 3,433,900

Total: **249,543,563**

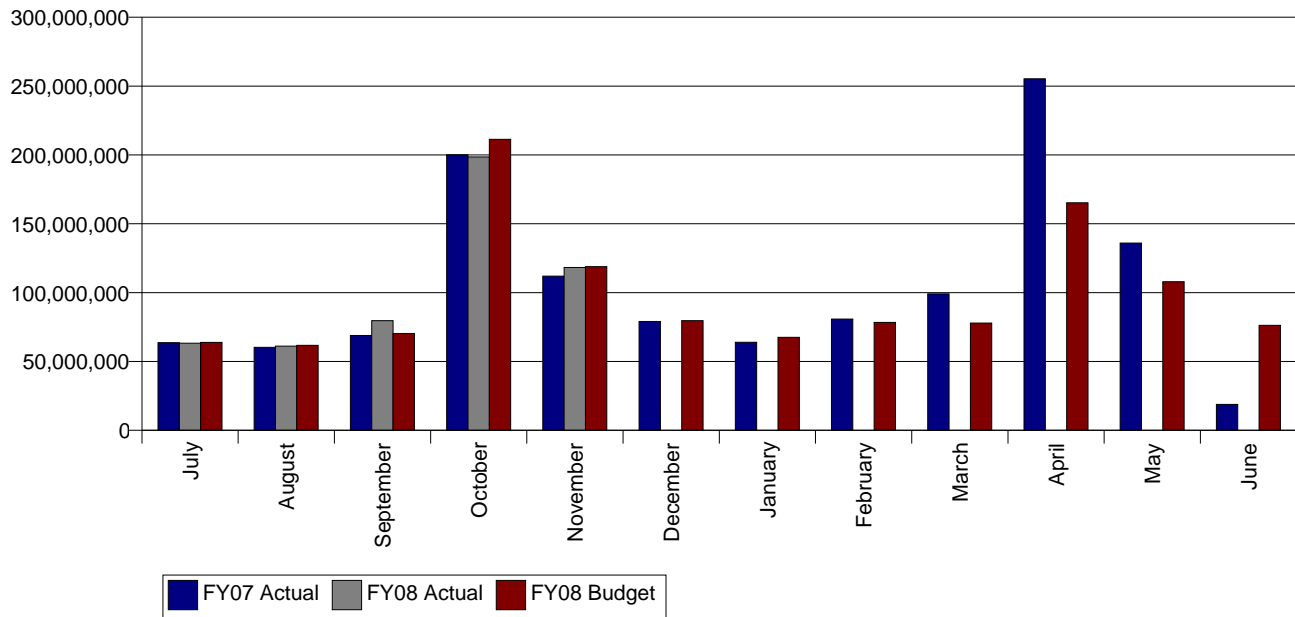


General Fund

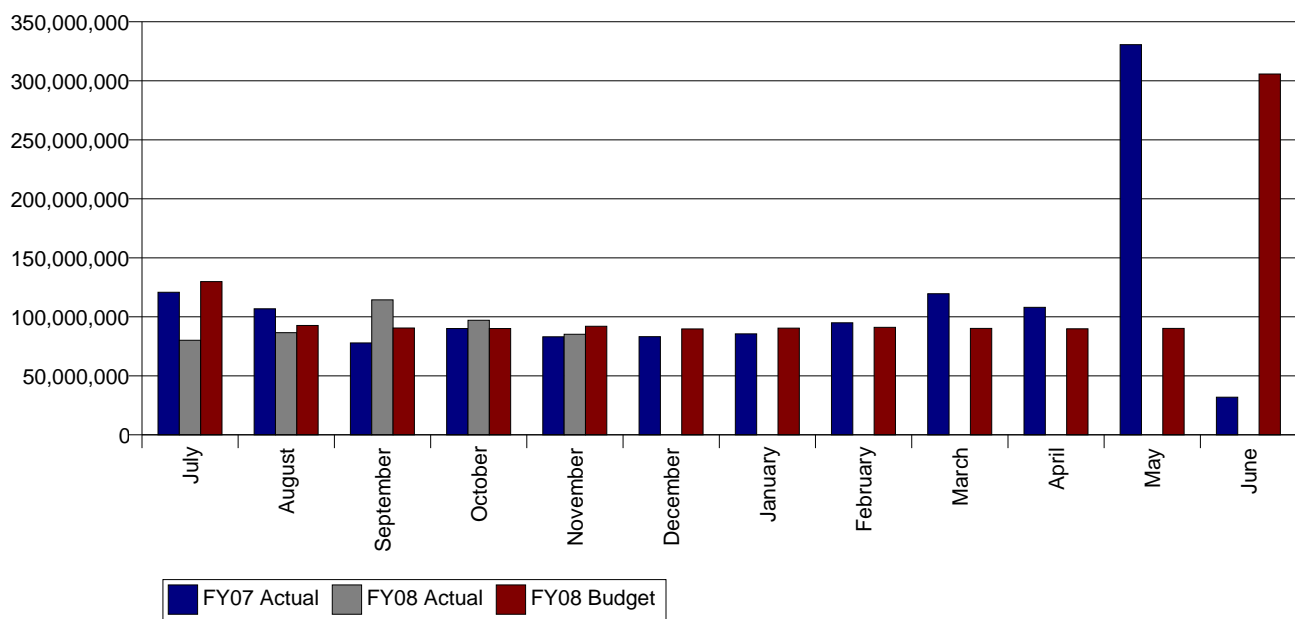
Executive Summary

As of November 30, 2007

Revenues



Expenditures





General Fund

Category Detailed by Agency

As of November 30, 2007

| General Government | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
|---------------------------------------|-----------------------|--------------------|--------------------|--------------------|----------------------|
| ASSESSOR | 25,507,171 | 10,549,258 | 10,041,048 | 508,210 | 4.82 % |
| BOARD OF SUPERVISORS CLERK | 840,627 | 393,406 | 363,939 | 29,467 | 7.49 % |
| BOARD OF SUPERVISORS DIST 1 | 391,686 | 171,740 | 153,192 | 18,548 | 10.80 % |
| BOARD OF SUPERVISORS DIST 2 | 391,686 | 163,225 | 151,335 | 11,890 | 7.28 % |
| BOARD OF SUPERVISORS DIST 3 | 391,686 | 163,250 | 137,899 | 25,351 | 15.53 % |
| BOARD OF SUPERVISORS DIST 4 | 391,686 | 159,275 | 136,001 | 23,274 | 14.61 % |
| BOARD OF SUPERVISORS DIST 5 | 391,686 | 166,588 | 155,124 | 11,464 | 6.88 % |
| COUNTY CALL CENTER | 1,766,278 | 746,668 | 738,499 | 8,169 | 1.09 % |
| COUNTY MANAGERS OFFICE | 2,358,692 | 976,974 | 874,369 | 102,605 | 10.50 % |
| ELECTIONS | 12,165,951 | 5,283,261 | 5,240,013 | 43,248 | 0.82 % |
| ENTERPRISE TECHNOLOGY | 10,418,482 | 4,307,539 | 4,388,617 | (81,078) | -1.88 % |
| FACILITIES MANAGEMENT | 14,538,891 | 6,058,255 | 5,918,126 | 140,129 | 2.31 % |
| FINANCE | 4,180,092 | 1,742,645 | 1,650,500 | 92,145 | 5.29 % |
| INTERNAL AUDIT | 2,039,183 | 753,490 | 747,368 | 6,122 | 0.81 % |
| MANAGEMENT & BUDGET | 3,137,792 | 1,307,485 | 946,126 | 361,359 | 27.64 % |
| MATERIALS MANAGEMENT | 2,118,752 | 882,911 | 862,428 | 20,483 | 2.32 % |
| RECORDER | 2,638,611 | 1,078,356 | 986,157 | 92,199 | 8.55 % |
| RESEARCH & REPORTING | 378,755 | 157,864 | 180,203 | (22,339) | -14.15 % |
| TREASURER | 5,148,981 | 2,331,379 | 2,196,544 | 134,835 | 5.78 % |
| WORKFORCE MGMT & DEVELOPMENT | 1,279,994 | 515,698 | 520,300 | (4,602) | -0.89 % |
| Subtotal | 90,476,682 | 37,909,267 | 36,387,788 | 1,521,479 | 4.01 % |
| Public Safety | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
| ADULT PROBATION | 66,139,159 | 27,928,015 | 27,749,781 | 178,234 | 0.64 % |
| CLERK OF SUPERIOR COURT | 34,284,063 | 14,487,397 | 14,366,241 | 121,156 | 0.84 % |
| CONSTABLES | 2,436,137 | 1,010,583 | 956,705 | 53,878 | 5.33 % |
| CORRECTIONAL HEALTH | 4,070,368 | 1,487,703 | 1,644,530 | (156,827) | -10.54 % |
| COUNTY ATTORNEY | 72,545,776 | 30,476,011 | 29,850,459 | 625,552 | 2.05 % |
| EMERGENCY MANAGEMENT SVCS | 268,636 | 111,958 | 98,841 | 13,117 | 11.72 % |
| JUSTICE SYSTEM PLANNING INFO | 846,536 | 306,731 | 145,025 | 161,706 | 52.72 % |
| JUVENILE PROBATION | 21,241,371 | 8,962,834 | 9,009,699 | (46,865) | -0.52 % |
| LEGAL DEFENDER | 9,574,896 | 3,968,744 | 3,815,582 | 153,162 | 3.86 % |
| MEDICAL EXAMINER | 8,082,688 | 3,395,296 | 3,312,593 | 82,703 | 2.44 % |
| OFFICE CONTRACT COUNSEL | 17,930,726 | 5,873,908 | 7,642,067 | (1,768,159) | -30.10 % |
| OFFICE OF LEGAL ADVOCATE | 8,476,296 | 3,487,435 | 3,303,909 | 183,526 | 5.26 % |
| PUBLIC DEFENDER | 40,843,313 | 17,060,303 | 17,095,322 | (35,019) | -0.21 % |
| PUBLIC FIDUCIARY | 2,799,594 | 1,166,716 | 1,120,592 | 46,124 | 3.95 % |
| SHERIFF | 71,659,112 | 30,368,376 | 31,261,669 | (893,293) | -2.94 % |
| TRIAL COURTS | 86,423,594 | 36,202,008 | 36,119,800 | 82,208 | 0.23 % |
| Subtotal | 447,622,265 | 186,294,018 | 187,492,815 | (1,198,797) | -0.64 % |
| Health, Welfare and Sanitation | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
| ANIMAL CONTROL SERVICES | 361,432 | 150,600 | 144,167 | 6,433 | 4.27 % |
| ENVIRONMENTAL SERVICES | 7,063,645 | 2,671,306 | 1,509,245 | 1,162,061 | 43.50 % |
| HUMAN SERVICES | 2,702,378 | 1,125,996 | 286,685 | 839,311 | 74.54 % |
| PUBLIC HEALTH | 12,974,674 | 5,388,119 | 4,730,797 | 657,322 | 12.20 % |
| Subtotal | 23,102,129 | 9,336,021 | 6,670,895 | 2,665,126 | 28.55 % |
| Culture and Recreation | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
| PARKS & RECREATION | 1,772,629 | 729,543 | 668,566 | 60,977 | 8.36 % |
| Subtotal | 1,772,629 | 729,543 | 668,566 | 60,977 | 8.36 % |
| Education | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
| SUPERINTENDENT OF SCHOOLS | 2,461,627 | 1,025,851 | 984,252 | 41,599 | 4.06 % |
| Subtotal | 2,461,627 | 1,025,851 | 984,252 | 41,599 | 4.06 % |
| Other Gov Fund | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
| GENERAL GOVERNMENT | 244,779,301 | 102,095,673 | 97,214,622 | 4,881,051 | 4.78 % |
| GEN GOV APPROPRIATED FND BALANCE | 164,699,794 | 51,276,375 | 44,059,930 | 7,216,445 | 14.07 % |
| NON-DEPARTMENTAL | 367,596,913 | 106,456,882 | 89,968,828 | 16,488,054 | 15.49 % |
| Subtotal | 777,076,008 | 259,828,930 | 231,243,378 | 28,585,552 | 11.00 % |
| Total Expenditures | 1,342,511,340 | 495,123,630 | 463,447,696 | 31,675,934 | 6.40 % |



Detention Fund

Executive Summary

As of November 30, 2007

| Revenues | Revised FY Budget | YTD Budget | YTD Actual | Variance |
|--|------------------------------|---------------------|-----------------------------------|------------------|
| Sales Taxes | 149,823,673 | 60,776,143 | 59,275,737 | (1,500,406) |
| Interest | 3,000,000 | 1,250,000 | 1,579,899 | 329,899 |
| Miscellaneous | 28,548,509 | 11,895,217 | 13,316,257 | 1,421,040 |
| Transfers In | 165,933,494 | 69,138,957 | 69,138,956 | (1) |
| Total Revenues | 347,305,676 | 143,060,317 | 143,310,849 | 250,532 |
| Expenditures | | | | |
| Personnel Services | 235,306,911 | 97,745,413 | 97,370,347 | 375,066 |
| Supplies | 14,129,562 | 6,299,447 | 7,425,041 | (1,125,594) |
| Services | 113,518,984 | 25,430,459 | 21,164,099 | 4,266,360 |
| Debt Service | 1,753,612 | 730,689 | 626,485 | 104,204 |
| Capital Outlay | 17,632,217 | 7,346,819 | 2,470,266 | 4,876,553 |
| Transfers Out | 32,112,796 | 32,112,796 | 32,112,796 | - |
| Total Expenditures | 414,454,082 | 169,665,623 | 161,169,033 | 8,496,590 |
| Excess (Deficiency) of Revenues Over Expenditures | (67,148,406) | (26,605,306) | (17,858,184) | 8,747,122 |
| Beginning Fund Balance | 145,551,542 | 145,551,542 | 146,163,844 ⁽¹⁾ | 612,302 |
| Revenues | 347,305,676 | 143,060,317 | 143,310,849 | 250,531 |
| Expenditures | 414,454,082 | 169,665,623 | 161,169,033 | 8,496,590 |
| Fund Balance with Designations | 78,403,136 | 118,946,236 | 128,305,660 | 9,359,424 |
| Fund Balance Designations (2) | 75,000,000 | 75,000,000 | 75,000,000 | - |
| Undesignated Ending Fund Balance | 3,403,136 | 43,946,236 | 53,305,660 | 9,359,424 |

1. Unaudited Beginning Fund Balance

2. Fund Balance Designations:

Future Capital Projects 75,000,000

Total: 75,000,000

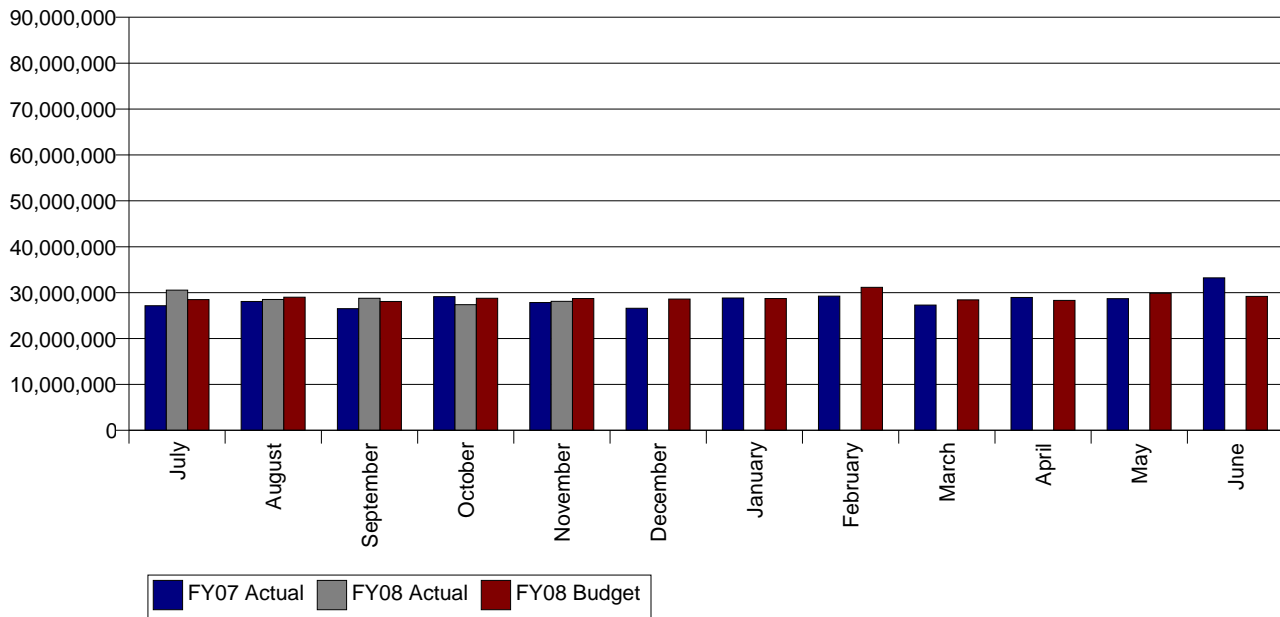


Detention Fund

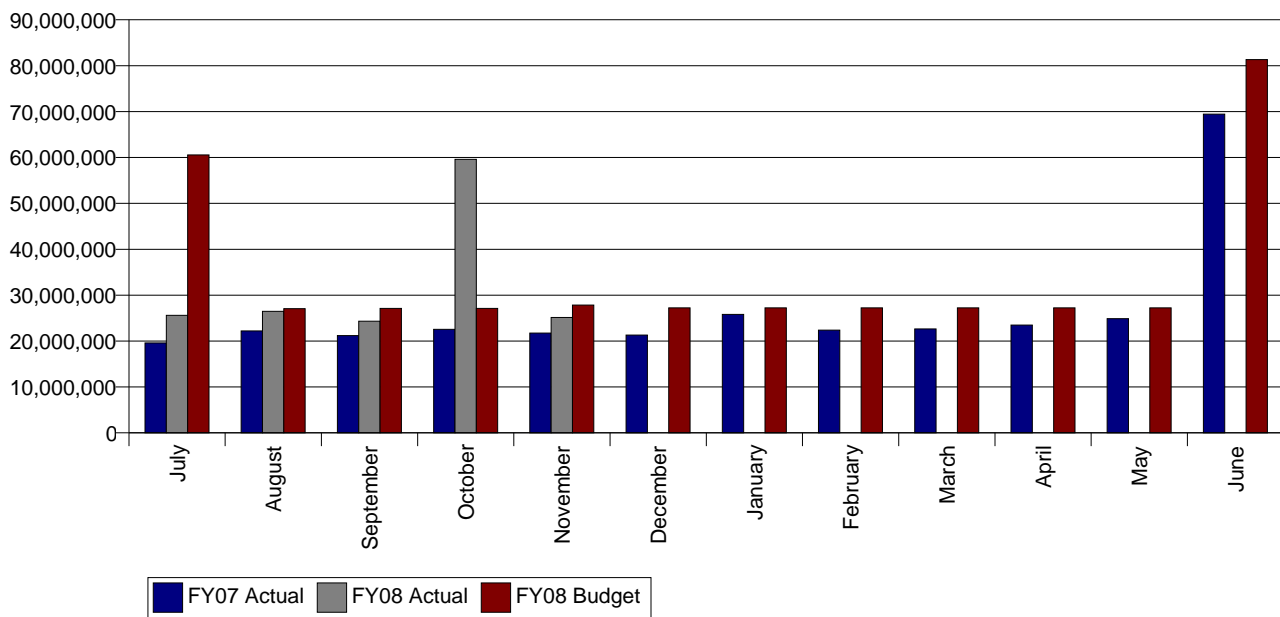
Executive Summary

As of November 30, 2007

Revenues



Expenditures





Detention Fund

Category Detailed by Agency

As of November 30, 2007

Revenues

| Agency | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
|-------------------------------------|-----------------------|--------------------|--------------------|-----------------|--------------------------|
| 262 - CORRECT'L HLTH DETENTION FUND | 6,500 | 2,710 | 1,462 | (1,248) | (46.06)% |
| 472 - NON-DEPT-DETENTION FUND | 318,757,167 | 131,165,100 | 130,003,578 | (1,161,522) | (0.89)% |
| 482 - GEN GOV DETENTION FUND | 1,946,762 | 811,152 | 224,625 | (586,527) | (72.31)% |
| 507 - SHERIFF DETENTION FUND | 26,595,247 | 11,081,355 | 13,081,184 | 1,999,829 | 18.05% |
| | 347,305,676 | 143,060,317 | 143,310,849 | 250,532 | 0.18% |

Expenditures

| Agency | Revised Budget | YTD Budget | YTD Actual | Variance | % of Variance |
|-------------------------------------|-----------------------|--------------------|--------------------|------------------|--------------------------|
| 262 - CORRECT'L HLTH DETENTION FUND | 48,797,341 | 20,649,418 | 20,011,773 | 637,645 | 3.09% |
| 276 - JUV PROBTN DETENTION FUND | 36,336,413 | 15,182,659 | 15,157,775 | 24,884 | 0.16% |
| 420 - JUSTICE SYSTEM PLANNING INFO | 1,983,802 | 959,183 | 665,483 | 293,700 | 30.62% |
| 472 - NON-DEPT-DETENTION FUND | 58,192,952 | 10,719,528 | 5,242,444 | 5,477,084 | 51.09% |
| 482 - GEN GOV DETENTION FUND | 69,095,168 | 38,129,910 | 34,258,072 | 3,871,838 | 10.15% |
| 507 - SHERIFF DETENTION FUND | 196,759,961 | 82,654,595 | 84,797,727 | (2,143,132) | (2.59)% |
| 701 - DETENTION OPERATIONS | 3,288,445 | 1,370,330 | 1,035,759 | 334,571 | 24.42% |
| | 414,454,082 | 169,665,623 | 161,169,033 | 8,496,590 | 5.01% |